

STATE OF MAINE	)	
PUBLIC UTILITIES COMMISSION	)	Docket No. 2002-770
	)	
	)	May 16, 2002
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MAINE PUBLIC UTILITIES COMMISSION	)	
Investigation of Central Maine Power Company's	)	STIPULATION
Stranded Cost Rates and Request for Accounting	)	
Order	)	
	)	

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Central Maine Power Company (“CMP”), the Office of the Public Advocate (“OPA”), and the Industrial Energy Consumer Group (“IECG”) (collectively, the “Parties”) hereby enter into this Stipulation in order to settle all issues bearing on the above-captioned proceeding and thereby avoid further litigation.

### **Procedural History**

“An Act to Restructure the State’s Electric Industry” (“Restructuring Act”), 35-A M.R.S.A. § 3208(6) (West 2001), requires the Maine Public Utilities Commission (the “Commission”) to establish the recoverable stranded cost revenue requirement for each investor-owned utility at least every three years. Section 3208(6) further provides that the Commission may correct stranded cost charges at any time and that, when correcting stranded cost charges, the Commission shall make any change effective only prospectively and may not reconcile past estimates to actual amounts.

In Docket No. 2001-232, the Commission approved a settlement of the parties that established CMP's stranded costs for the rate effective period beginning March 1, 2002, through February 28, 2005. That settlement provided that a party would not be precluded from requesting a prospective adjustment to stranded cost rates for sales volume variances by application of any principle of single-issue ratemaking.

On December 13, 2002, CMP requested confirmation of its right to defer and seek future recovery in rates of its share of the expected cost increases related to decommissioning at Yankee Atomic Electric Company (“Yankee Atomic”). The Commission opened Docket No. 2002-777 to address CMP’s request. On December 17, 2002, in Docket No. 2002-770, the Commission issued a Notice of Investigation (“NOI”) of Central Maine Power Company's stranded cost rates and request for accounting order related to the Yankee Atomic decommissioning and spent fuel costs. The NOI resulted from the Commission’s review of CMP’s quarterly sales and stranded cost revenue variance reports, filed pursuant to the Docket No. 2001-232 settlement. The NOI consolidated CMP’s request for accounting order regarding Yankee Atomic decommissioning costs into Docket No. 2002-770.

On January 15, 2003, the Commission issued a procedural order directing the Company to make its initial filing in Docket No. 2002-770 on February 7, 2003 and to address: (i) the accuracy of current stranded cost projections, (ii) the accounting order for Yankee Atomic decommissioning costs, and (iii) a deferral mechanism for variances in stranded cost revenues. Consistent with the January 15, 2003 Procedural Order, this proceeding did not encompass a complete review of stranded costs; rather, it encompassed only a review of certain issues for possible adjustment prior to the next complete review of stranded costs. CMP expects to make a comprehensive stranded cost filing, which will include all stranded cost components, in mid-2004, in anticipation of changing stranded cost rates in March 2005.

***THE PARTIES TO THIS STIPULATION STIPULATE AND AGREE THAT:***

1. Yankee Atomic. CMP shall defer for future recovery in its next stranded cost case any costs billed to CMP by Yankee Atomic related to decommissioning, including spent fuel storage, at Yankee Atomic, to the extent such costs are prudently incurred. These costs are

not included in the determination of stranded cost revenue requirements and rates in Docket No. 2001-232 or in this proceeding. Yankee Atomic has filed a case with the FERC (Docket No. ER03-704-000) requesting a resumption of Yankee Atomic decommissioning collections. Yankee Atomic is anticipating that the FERC will allow Yankee Atomic to resume decommissioning collections in June 2003. The FERC will ultimately examine and rule on the reasonableness of Yankee Atomic's decommissioning cost levels. This paragraph does not bind any party to any particular position in any proceeding regarding Yankee Atomic decommissioning costs, including spent fuel storage costs. Carrying costs will be calculated monthly on the deferred balance.

2.     Stranded Cost Rate Decrease. CMP's current stranded cost rates shall be decreased, effective July 1, 2003, to result in lower stranded cost revenues in the amount of \$7.4 million over the period July 1, 2003 through February 28, 2005. This reduction shall be allocated to the following rate classes: MGS-S, MGS-P, IGS-S, IGS-P, LGS-S and LGS-P. The reduction shall be allocated proportionally to winter kWh and demand charges, consistent with paragraph 3 of the Stipulation, dated October 21, 2002, in Docket No. 2001-245, which was approved by the Commission in its Order dated December 2, 2002. CMP will file a compliance filing with the Commission by June 1, 2003 showing the calculation of the rates resulting from this paragraph.

3.     Deferral for Noncore Price Changes. Beginning May 1, 2003, CMP will defer with carrying costs 50% of any stranded cost revenue differences for the customers and targeted programs as shown on Attachment 1 that result from changes in estimated prices from those used to determine the revenue amounts set forth in Attachment 1. The revenue difference will be calculated by multiplying the estimated billing units underlying the data shown on Attachment 1 by the difference between the actual contract or tariff prices and the estimated contract or tariff

prices underlying the data in Attachment 1. Amounts deferred will be reviewed in CMP's next stranded cost case and, to the extent that such amounts are prudent, will be reflected in stranded cost rates at that time. Carrying costs will be calculated monthly on the deferred balance.

4. Maine Yankee Net Interest Costs on Pre-1983 Department of Energy ("DOE") Liability and Spent Fuel Disposal Trust Earnings.

Beginning May 1, 2003, CMP will defer with carrying costs any difference between CMP's share of the actual net interest costs on the pre-1983 DOE spent fuel liability and the following monthly amounts: for May through December 2003, \$29,500; for January 2004 through December 2004, \$29,000; and for January and February 2005, \$17,200. Net interest costs include the interest on the DOE liability, net of book earnings on the Spent Fuel Disposal Trust and including any income tax consequences from tax exempt investments. Income tax impacts from tax exempt investments will be reflected by multiplying any tax exempt interest income by an income tax gross-up factor of 1.6689. To the extent prudently incurred, amounts deferred will be reflected in stranded cost rates in CMP's next stranded cost case. Carrying costs will be calculated monthly on the deferred balance.

5. Other. All provisions of the Docket No. 2001-232 settlement that are not in conflict with this Stipulation remain in effect.

6. The execution of this Stipulation by any Party shall not constitute precedent as to any matter of law or fact nor, except as expressly provided herein, shall it foreclose any of the Parties from making any contention or exercising any right, including rights of appeal, in any other Commission proceeding or investigation, or any other trial or action.

7. The Parties intend that this Stipulation be considered by the Commission for adoption as an integrated solution to the issues addressed herein which arose in the above-captioned

proceeding and as otherwise presented in this Stipulation. The Parties also intend that this Stipulation shall be null and void, and shall not bind the Parties in the above-captioned proceeding, in the event the Commission does not adopt this Stipulation without material modification.

8. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any Party on these issues before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

9. The record for purposes of consideration of this Stipulation shall include: all pre-filed testimony, Bench Analyses, transcripts, and data responses submitted by all parties.

Dated: \_\_\_\_\_

CENTRAL MAINE POWER COMPANY

By: \_\_\_\_\_

Dated: \_\_\_\_\_

THE PUBLIC ADVOCATE

By: \_\_\_\_\_

Dated: \_\_\_\_\_

INDUSTRIAL ENERGY CONSUMER GROUP

By: \_\_\_\_\_